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DEPARTMENT OF AUDITOR-CONTROLLER**

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April 8, 2008

TO: Supervisor Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*  
Acting Auditor-Controller

SUBJECT: **INTERCOMMUNITY CHILD GUIDANCE CENTER CONTRACT  
REVIEW - A DEPARTMENT OF MENTAL HEALTH SERVICE  
PROVIDER**

We have completed a program and fiscal contract compliance review of Intercommunity Child Guidance Center (ICGC or Agency), a Department of Mental Health (DMH) service provider.

**Background**

DMH contracts with ICGC, a private non-profit community-based organization which provides services to clients in Service Planning Area 7. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the First District.

Our review focused on approved Medi-Cal billings. DMH paid ICGC between \$1.95 and \$3.75 per minute of staff time (\$117.00 to \$225.00 per hour) for services. ICGC is reimbursed for their actual costs reported at year-end and the contract was for approximately \$4.3 million for Fiscal Year 2006-07.

**Purpose/Methodology**

The purpose of the review was to determine whether ICGC complied with its contract terms and appropriately accounted for and spent DMH funds providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's

accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a selected number of the Agency's staff and clients.

### **Results of Review**

ICGC staff assigned to the County contract possessed the required qualifications to provide services to participants. In addition, the program participants interviewed stated that the services they received met their expectations. However, the Assessments, Client Plans and Progress Notes were not always completed in accordance with the County contract. Specifically:

- The Assessments for 11 (42%) of 26 clients sampled did not contain the clinical content necessary to support the diagnosis.
- The Client Care Plans for 14 (54%) of 26 clients sampled did not contain goals that were observable and/or quantifiable.
- Eight of (23%) of the 35 Progress Notes reviewed did not sufficiently document the services provided to the clients.

ICGC also did not have a Cost Allocation Plan and did not maintain appropriate accounting records to support the expenditures billed to the DMH program. Specifically, the Agency did not identify expenditures by program. As a result, the Agency's Cost Report did not reconcile to their accounting records.

Subsequent to our review, the Agency indicated that they identified the expenditures applicable to DMH and submitted a revised Cost Report to DMH that reduced the amount of DMH program costs reported in their initial Cost Report by \$384,158. We will perform a follow-up review in six months to determine whether the amounts charged to DMH were appropriate.

We have attached the details of our review along with recommendations for corrective action.

### **Review of Report**

We discussed the results of our review with ICGC on January 22, 2008. During the meeting, Agency management informed us that they subsequently identified the specific expenditures related to the DMH program, developed a Cost Allocation Plan and reallocated administrative costs to the DMH program.

In their attached response, the Agency indicated the corrective actions they have taken to address the recommendations in our report.

We thank ICGC management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Dr. Marvin J. Southard, Director, Department of Mental Health  
Charlene Dimas-Peinado, Executive Director, Intercommunity Child Guidance  
Center  
Public Information Office  
Audit Committee

**CONTRACT COMPLIANCE REVIEW  
INTERCOMMUNITY CHILD GUIDANCE CENTER  
FISCAL YEAR 2006-07**

**BILLED SERVICES**

**Objective**

Determine whether Intercommunity Child Guidance Center (ICGC or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

**Verification**

We judgmentally selected 35 billings totaling 3,778 minutes from 277,967 service minutes of approved Medi-Cal billings for May and June 2007. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 3,778 minutes represent services provided to 26 program participants.

**Results**

ICGC maintained documentation to support the service minutes billed in our sample. However, the Agency billed at a rate higher than the contract allows for 100 (3%) of the service minutes. Specifically, ICGC billed 100 minutes for Crisis Intervention Services but the Progress Note indicated that the Agency provided Mental Health Services, which has a lower billing rate. The amount overbilled totaled \$95.

In addition, Assessments, Client Plans and Progress Notes were not always completed as required by the County contract.

**Assessments**

The Assessments for 11 (42%) of 26 clients sampled did not contain the clinical content necessary to support the diagnosis. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires the Agency to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorder and the criteria for diagnosing them.

**Client Care Plans**

The Client Care Plans that ICGC completed for 14 (54%) of 26 clients sampled did not contain all of the required information. Specifically:

- Fourteen Client Care Plans contained goals that were not observable and/or quantifiable.
- Four Client Care Plans did not contain goals that address the clients' needs identified in the Assessments.

The number of incomplete Client Care Plans noted above exceeded the overall number of Client Care Plans reviewed because some of the Client Care Plans contained more than one deficiency.

### Progress Notes

The Agency did not complete eight (23%) of the 35 Progress Notes in accordance with the County Contract. Specifically:

- Seven Progress Notes did not describe what the clients or service staff attempted and/or accomplished towards the clients' goals.
- Four Progress Notes for services provided by multiple staff did not describe the contributions of the additional service staff.

The number of insufficiently documented Progress Notes noted above exceeded the overall number of insufficiently documented Progress Notes because some of the Progress Notes contained more than one deficiency.

### Recommendations

#### **ICGC management:**

1. **Repay DMH \$95.**
2. **Maintain documentation to support the service minutes billed.**
3. **Ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**

### CLIENT VERIFICATION

#### Objectives

Determine whether the program clients received the services that ICGC billed DMH.

#### Verification

We interviewed seven participants that the Agency billed DMH for services during May and June 2007.

**Results**

The seven program participants interviewed stated that the services received from the Agency met their expectations.

**Recommendation**

**There are no recommendations for this section.**

**STAFFING LEVELS****Objective**

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section as the Agency did not provide services that require staffing ratios for this particular program.

**STAFFING QUALIFICATIONS****Objective**

Determine whether ICGC's treatment staff possessed the required qualifications to provide the services.

**Verification**

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 15 of the 37 ICGC treatment staff who provided services to DMH clients during May and June 2007.

**Results**

Each employee in our sample possessed the qualifications required to deliver the services billed.

**Recommendation**

**There are no recommendations for this section.**

**SERVICE LEVELS****Objective**

Determine whether ICGC's reported service levels varied significantly from the service levels identified in the DMH contract.

We did not perform test work in this area as DMH's contract with ICGC did not specify the required service levels for each type of service provided for FY 2006-07.

**CASH / REVENUE****Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed ICGC's management and reviewed the Agency's financial records. We also reviewed the Agency's bank reconciliations for June 2007 for two accounts that contain DMH program funds.

**Results**

ICGC properly recorded and deposited cash receipts timely and prepared monthly bank reconciliations. However, the individual that prepared the bank reconciliations was also an authorized check signer. In addition, the bank reconciliations were not reviewed and approved by a manager. Management indicated that the individual that prepares the reconciliations only writes checks in emergencies. However, without this separation of duties an unauthorized check written by this individual could go undetected.

**Recommendations****ICGC management:**

4. **Ensure that bank reconciliations are prepared by staff that does not have cash handling responsibilities.**
5. **Ensure that bank reconciliations are reviewed and approved by a manager that does not have cash handling responsibilities.**

## **EXPENDITURES**

### **Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately charged to the DMH program.

### **Verification**

We interviewed Agency personnel, reviewed financial records and reviewed the Agency's FY 2006-07 Cost Report.

### **Results**

We did not perform test work in this area as ICGC did not maintain separate cost centers to record non-payroll expenditures. At the time of our review, the Agency could not identify the DMH related non-payroll expenditures.

Subsequent to our review Agency management indicated that they identified the specific non-payroll expenditures applicable to DMH and submitted a revised Cost Report to DMH. We will perform a follow-up review in six months to determine whether the amount charged for non-payroll expenditures was appropriate.

### **Recommendations**

#### **ICGC management:**

6. **Maintain a separate cost center to identify expenditures related to the DMH program.**
7. **Ensure that the amount billed to DMH for expenditures agrees with the Agency's accounting records.**

## **FIXED ASSETS AND EQUIPMENT**

### **Objective**

Determine whether fixed assets and equipment costs charged to DMH were used by the DMH program and were adequately safeguarded.

### **Results**

We did not perform test work in this area, as ICGC could not identify the fixed assets and equipment expenditures charged to the DMH program. In addition, the Agency's list of fixed assets and equipment inventory did not include the serial number or unique identifier.



**Recommendations**

Refer to Recommendations 6 and 7.

8. ICGC management ensure the fixed assets and equipment listing includes the assigned individual, item description, serial number or unique identifier, acquisition cost, source of funding and the program(s) where the asset is used.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files were maintained as required.

**Verification**

We traced payroll expenditures for 10 employees charged to the DMH program for the pay period ending June 15, 2007, totaling \$18,865 to the payroll records and time reports. We also interviewed nine employees and reviewed 10 employees' personnel files.

**Results**

ICGC's salaries were properly documented and appropriately charged to the DMH program. In addition, the personnel files were maintained as required.

**Recommendation**

There are no recommendations for this section.

**COST ALLOCATION PLAN****Objective**

Determine whether ICGC's Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed the Agency's Cost Allocation Plan and interviewed management to ensure that the expenditures were properly allocated to the Agency's programs.

**Results**

ICGC did not have a Cost Allocation Plan. In addition, Agency management allocated administrative costs to the DMH program based on budget rather than actual costs for FY 2006-07.

Subsequent to our review, the Agency developed a Cost Allocation Plan. However, it did not contain sufficient detail to determine how the Agency plans to allocate administrative costs and other shared program expenditures.

**Recommendation**

9. **ICGC management develop a detailed and equitable Cost Allocation Plan and allocate costs on a monthly basis in accordance with the plan.**

**COST REPORT****Objective**

Determine whether ICGC's FY 2006-07 Cost Report reconciled to the Agency's financial records.

**Verification**

We traced the Agency's FY 2006-07 Cost Report to the Agency's general ledger.

**Results**

The Agency's Cost Report did not reconcile to their accounting records. As stated earlier in our report, ICGC did not specifically identify DMH related non-payroll expenditures separately in their accounting records. Agency management explained that the former Controller reviewed the general ledger to identify the total DMH related non-payroll expenditures listed on the Cost Report. However, the Agency did not maintain supporting schedules to identify the specific expenditures included on the Cost Report.

Subsequent to our review, the Agency identified the specific expenditures applicable to DMH and submitted a revised Cost Report to DMH that reduced total costs by \$384,158.

**Recommendations**

**Refer to Recommendations 6, 7 and 9.**



March 1, 2008

**EXECUTIVE DIRECTOR**

Charlene Dimas-Peinado, L.C.S.W.

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J. Tyler McCauley, Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
500 West Temple Street, Room 525  
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**Subject: Intercommunity Child Guidance Center Contract Review  
– A Department of Mental Health Service Provider**

Dear Mr. McCauley:

The purpose of this letter is to respond to the Contract Compliance Review of Intercommunity Child Guidance Center for Fiscal Year 2006-07 with a corrective action plan to the auditor-controller's final report.

Corrective action plans address the following areas:

**BILLED SERVICES**

The following documentation procedures have been implemented to improve clinical documentation issues in accordance with the County contract:

**Objective:**

1. To ensure compliance with DMH requirements.
2. To enhance the quality of assessments, client coordination plans and progress notes.
3. To establish criteria for review and monitoring of assessments, client coordination plans and progress notes among clinicians, supervisors and programs.
4. To develop clinical excellence within the context of DMH paperwork requirements.
5. To provide clinicians with a system for the timely completion of all DMH required paperwork.

**Corrective Plan:**

1. Quarterly training of all clinical staff regarding:
  - a. Overview of DMH requirements
  - b. Overview of the assessment process, diagnosis and treatment planning
  - c. The focus will be based upon three major areas: initial assessment and accompanying diagnosis.
  - d. Part one: The Progress Note
  - e. Part two: The initial assessment and accompanying diagnosis
  - f. Part three: Client Coordination plan
  - g. Summary & conclusion – the link between assessment-diagnosis, CC/CCP & Progress note
  - h. how to conduct a thorough clinical interview which gathers accurate information for an initial diagnosis. This would include recognizing possible symptom clusters and probing for further information in order to make a strong presumption that the criteria will be met to make a *provisional* diagnosis.
  - i. Correlating specific, measurable behaviors used in formulating the diagnosis, which will lead to behavioral objectives.
  - j. Behavioral objectives which are specific and measurable, *and related* to the previously described symptoms.
  - k. The importance of correlating all components of the intake to support the symptoms and diagnosis.
  - l. Constructing progress notes that describe movement towards stated goals.
  - m. Writing group notes which include what interventions the second staff member (who did not write the group note) made towards group progress in each group progress note.
  - n. the first training was completed on February 13, 2008.

2. Program directors will review and cosign all intakes completed by their staff prior to QIC submission.
3. Program directors will audit two charts weekly to ensure that all clinical documentation meets DMH requirements.
4. All clients who have been in treatment for more than one year will be subject to chart review focusing on progress towards treatment goals. This should happen on two levels.
  - a. The QIC Coordinator will audit the file, both for compliance with DMH documentation guidelines, and for progress towards goals.
  - b. Program directors will review the client file with the therapist in clinical supervision. Special attention will be given in clinical supervision to recognizing when client goals have been achieved / or progress is no longer being made, and termination is indicated.
5. Program directors will assist the therapist in paying equal attention to the
  - a. the mechanics of maintaining client documentation,
  - b. specific diagnosis and treatment planning aimed at moving towards stated goals and objectives, and
  - c. the importance of using the file for monitoring client progress by making clinically specific and accurate entries regarding progress towards stated objectives.
6. Case Managers will be trained to ask questions which relate to functional impairment when taking a request for service.
7. Every Master's Level service provider or student must acquire a DSM IVR to use in formulating each client diagnosis.
8. QIC Coordinator will train QIC committee members on how to conduct a thorough chart audit.

## **CASH/REVENUE**

### **Corrective Plan:**

The Executive Director of ICGC is the primary signatory on the Agency's bank accounts. The CFO/Controller is secondary signatory on the Agency's bank account and sign checks in the absence of the Executive Director. The bank reconciliations are prepared by the CFO/Controller.

Additional staff has been hired and the duties have been delegated to accounting staff and reviewed by the Controller and/or Executive Director.

## **EXPENDITURES**

### **Corrective Plan:**

ICGC identifies expenditures based on the cost centers; however the cost centers were not clearly identified in all the categories of the DMH contract. The previous CFO recorded the majority of the DMH expenditures to a cost center Mental Health, and other expenditures to School Based, Specialized Foster Care, etc. Although expenditures were identifiable, the County's position was that they could not trace those expenditures to the General Ledger. ICGC subsequently made the recommended corrections to enable the County to trace the transactions through the general ledger, which will be available for review by the auditor-controller's office.

## **FIXED ASSETS AND EQUIPMENT**

### **Corrective Plan:**

The County was provided a fixed asset listing prepared by ICGC. While the report contained ICGC's entire list of asset, it did not include the serial number or unique identifier. ICGC has made the appropriate changes to include this information. The report however did include the funding source and the program the asset was assigned. In addition, ICGC did identify the asset by office and program.

## **COST ALLOCATION**

### **Corrective Plan:**

ICGC has reallocated all expenditures for FY2006-2007 and resubmitted the revised Cost Report to DMH. ICGC offered to provide the County auditor's with the revised allocation report and cost report, and was told they could not accept or use it. This information was readily available prior to the Draft report being issued.

## Cost Report

### Corrective Plan:

ICGC has revised the cost allocation plan in relations to all expenditures. All cost are coded and recorded to the appropriate cost center at the time the expense is incurred. If the expense needs to be allocated across programs, this reallocation is done on a monthly basis and reconciled by the accounting staff. ICGC has implemented this process beginning this fiscal year. For the prior fiscal year, a reallocation spreadsheet was prepared to record expenses in the proper program and a revised Cost Report was submitted to DMH.

As a result of this revision, the cost reported on the Cost Report will be actual cost recorded to each program, including the Administration cost, based on expenditures incurred. The Cost Allocation Plan is being rewritten and will be readily available for all future audits.

Thank you for the opportunity to respond to the program and fiscal contract review for Intercommunity Child Guidance Center. It was a pleasure working with Mr. Greg Hellmold, CPA, CIA and his staff during the audit. They were very helpful and professional throughout the entire process.

Should you require additional information, please do not hesitate to contact me.

Sincerely,



Charlene Dimas-Peinado, L.C.S.W.  
Executive Director

Cc: Gregory Hellmold, CPA, CIA  
Principal Accountant - Auditor